

Message Text

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DRAFTED BY: EB/ISM:JJSTJOHN

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TO AMEMBASSY LONDON IMMEDIATE

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FOR ASHLEY C HEWITT AND GEORGE THIGPEN

FOL TEL SENT ACTION SECSTATE FROM KUALA LUMPUR DTD 03 DEC 1976 QTE

LIMITED OFFICIAL USE KUALA LUMPUR 6963

STADIS

E.O. 11652: N/A

TAGS; EMIN, ITC

SUBJECT: DECEMBER MEETING OF INTERNATIONAL TIN COUNCIL

1. FURTHER TO INFORMATION REPORTED REFTEL, VERY WELL INFORMED
INDUSTRY SOURCE TODAY PROVIDED FOLLOWING (ALL PRICES IN
MALAYSIAN DOLLARS PER PICUL OF TIN-IN-CONCENTRATES ONE).

2. PRODUCTION COSTS. FOR DREDGING OPERATIONS - M\$600. FOR
GRAVEL PUMP OPERATIONS - M\$650.

3..OTHER COSTS, GOM EXPORT DUTY, CESS AND SURTAX -
M\$250. SMELTING CHARGE - M\$10. SMELTER PROFIT - M\$12.
TRANSPORTATION AND OTHER COSTS, INCLUDING POSSIBLE "BACKDOOR"
COSTS - M\$78.

4. THUS, EVEN ADDING TOTAL OTHER COSTS OF M\$350 TO
PRODUCTION COST OF EITHER M\$600 FOR DREDGING OR M\$650 FOR
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GRAVEL PUMP, TOTAL COST IS M\$950 PER PICUL FOR DREDGING
OPERATION AND M\$1,000 FOR GRAVEL PUMP.

5. GIVEN CURRENT PRICE OF M\$1,250 PER PICUL DREDGE OPERATORS
PRE-INCOME TAX PROFIT IS M\$300 AND GRAVEL PUMPS M\$250.

6. COMMENT: FROM OUR PERSPECTIVE, IT IS INCREASINGLY EVIDENT
THAT THE SO-CALLED "PRODUCTION COSTS" OF LDC TIN PRODUCERS
ARE SIGNIFICANTLY INCREASED THROUGH EXPORT TAXES, EXPORT
DUTIES AND SIMILAR MECHANISMS WITHIN THE CONTROL OF THE
RESPECTIVE LDC PRODUCER GOVERNMENTS. AS REPORTED PARA 7
LA PAZ 9547, EVEN THE HIGHEST COST LDC TIN PRODUCERS
IMPOSES AN EXPOT TAX OF US\$1,341 PER METRIC TON. IT APPEARS
THAT, TO THE EXTENT THE FLOOR PRICE IS A FUNCTION OF THESE LEVIES,
THIS RESULTS IN AN IMPOSED COST TO CONSUMERS. LOWER COST
LDC PRODUCERS, SUCH AS MALAYSIA OBTAIN, OF COURSE, A LARGER
BITE. WE APPLAUD THE SENSE OF PARA 7 LONDON 18990 AND
WONDER WHETHER PRODUCER-IMPOSED LEVIES SHOULD NOT BE FACTORED
OUT OF THE COMPUTATION OF "PRODUCTION COSTS" FOR FLOOR AND
CEILING PRICE PURPOSES. WE APPRECIATE THAT IT MIGHT BE
NECESSARY IN CERTAIN CASES TO OFFSET FOREGONE REVENUE TO
HIGH COST LDC PRODUCERS THROUGH BILATERAL OR OTHER MEANS.
HOWEVER, THIS APPROACH WOULD APPEAR TO SERVE OUR INTERESTS BETTER
THAN REVENUE GENERATION THROUGH AN INDIRECT TAX ON TIN CON-
SUMERS. UNDERHILL UNQTE KISSINGER

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